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SUBJECT: YESHA LEADER SAYS THERE WAS A DEAL ON OUTPOSTS,
BUT PM OLMERT NIXED IT

Classified By: Consul General Jake Walles, per reasons 1.4 (b) and (d)

¶1. (C) SUMMARY: Yesha Council Chairman Dani Dayan told PolOff January 16 that the settlers had reached a "limited deal" with MOD Barak to evacuate "a few outposts" in exchange for continued issuance of construction permits in existing settlement population centers, but PM Olmert vetoed the deal.

Dayan said Olmert is "paralyzed" by USG pressure to evacuate outposts and halt settlement construction simultaneously, and the twin requirements leave him no room to negotiate. END
SUMMARY

"Limited Deal" Agreed
between Settlers and Barak

¶2. (C) Yesha Council Chairman Dani Dayan told PolOff January 16 that a "limited deal" was reached several weeks ago with MOD Barak to remove "a few outposts," but PM Olmert later vetoed it. According to Dayan, the deal was a "confidence building measure" that would allow issuance of construction permits in settlement population centers in exchange for voluntary removal of sparsely populated outposts.

¶3. (C) Settlement movement founder and Kiryat Arba resident Elyakim Haetzni described the deal as follows: residents of "outposts on private land" would voluntarily dismantle and evacuate their outposts and move "to another nearby hilltop" on land considered by the GOI to be state land, and the GOI would recognize the new outposts as legal. Haetzni said PM Olmert rejected the deal that would have legalized the new outposts, because "he committed to the U.S. not to compromise." According to Dayan, since Olmert's rejection, the settlers have taken this deal off the table. He added that they are watching carefully the upcoming February 6 High Court of Justice hearing on Migron outpost.

Dayan: GOI Paralyzed on Settlements

¶4. (C) Dayan said Olmert is "paralyzed" by USG pressure to freeze settlement construction and evacuate outposts and has no room to negotiate with settlers. The "US requirement" that Olmert freeze construction and evacuate outposts simultaneously leaves Olmert nothing to trade, according to Dayan, and that explains his veto of Barak's deal with the settlers. Dayan added that the recent increase in Qassam rockets from Gaza prevents Olmert from "bringing the army" to forcibly evacuate outposts, which would mean "civil war."

¶5. (C) Dayan said Olmert "seems determined to follow through after Annapolis," but he believes "something will give" shortly. He anticipates that the late January final

Winograd report will be a ""political earthquake,"" Olmert's coalition will break up, and ""we'll have elections in 2008."" Dayan said settlers have greater political leverage than previously, with particular influence in the right wing parties.

¶6. (C) Dayan said he and settler advocate MK Otniel Schneller met Quartet Special Representative Tony Blair last week and asked to see the Secretary on her next visit.

WALLES

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